

VZCZCXRO6123

OO RUEHAO RUEHCD RUEHGA RUEHGD RUEHHA RUEHHO RUEHMC RUEHMT RUEHNG
RUEHNL RUEHQU RUEHRD RUEHRG RUEHRS RUEHTM RUEHVC
DE RUEHBU #0134/01 0401007
ZNY CCCCC ZZH
O 091007Z FEB 09
FM AMEMBASSY BUENOS AIRES
TO RUEHC/SECSTATE WASHDC IMMEDIATE 2998
INFO RUEHWH/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS IMMEDIATE
RUEHAK/AMEMBASSY ANKARA IMMEDIATE 0132
RUEHBJ/AMEMBASSY BEIJING IMMEDIATE 0295
RUEHRL/AMEMBASSY BERLIN IMMEDIATE 1173
RUEHBY/AMEMBASSY CANBERRA IMMEDIATE 0091
RUEHJA/AMEMBASSY JAKARTA IMMEDIATE 0051
RUEHLO/AMEMBASSY LONDON IMMEDIATE 1299
RUEHMO/AMEMBASSY MOSCOW IMMEDIATE 0787
RUEHNE/AMEMBASSY NEW DELHI IMMEDIATE 0127
RUEHFR/AMEMBASSY PARIS IMMEDIATE 1504
RUEHSA/AMEMBASSY PRETORIA IMMEDIATE 0186
RUEHRH/AMEMBASSY RIYADH IMMEDIATE 0048
RUEHRO/AMEMBASSY ROME IMMEDIATE 1489
RUEHUL/AMEMBASSY SEOUL IMMEDIATE 0175
RUEHKO/AMEMBASSY TOKYO IMMEDIATE 0870
RUEHSO/AMCONSUL SAO PAULO IMMEDIATE 3872
RUEAIIA/CIA WASHINGTON DC IMMEDIATE
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC IMMEDIATE
RUEATRS/DEPT OF TREASURY WASHINGTON DC IMMEDIATE
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 03 BUENOS AIRES 000134

SIPDIS

E.O. 12958: DECL: 02/05/2019

TAGS: [ECON](#) [EFIN](#) [ETRD](#) [PREL](#) [PGOV](#) [AR](#) [BR](#) [MX](#)

SUBJECT: ARGENTINE GOVERNMENT'S G-20 PRIORITY: IFI REFORM

REF: A. 2008 BUENOS AIRES 1520

[1](#)B. 2008 BUENOS AIRES 1537

[1](#)C. BUENOS AIRES 66

Classified By: Ambassador E. Anthony Wayne for Reasons 1.4 (b,d)

Summary

[1](#)1. (C) The GoA is focused intensely on G-20 meetings and preparations, and will continue its push for reform of the international financial institutions (IFIs), Economy Minister Carlos Fernandez told Ambassador February 4. Fernandez said the GoA will promote "reasonable, serious, and prudent reforms," arguing that the IDB needs a capital increase, the World Bank needs to be more agile and rapid in its lending, with more focus on growth, and IMF reforms must include increased emerging market participation, greater monitoring of developed economies, and "faster use of its lending instruments." Fernandez denied that the GoA is interested in IMF financing, but press reports allege this is the GoA's primary motivation for seeking IFI reforms via the G-20. In a separate meeting February 2 (septel), ex-Economy Minister Domingo Cavallo suggested the USG encourage Mexico and Brazil to coordinate G-20 positions with Argentina. However, Minister Fernandez noted that the GoA is not at present in formal communication with either country on G-20 issues.

[1](#)2. (C) Comment: Fernandez took a reasonable line, but it is clear the GoA wants more access to financing with few conditions, and seems to believe it is speaking for many other emerging countries on the topic. Fernandez, Finance Secretary Lorenzino, and Central Bank Governor Redrado are serious officials with whom we can negotiate, but the key to getting the Argentines to play constructively in the G-20 process will be the attitude of President Cristina Fernandez de Kirchner (CFK) and, to some degree, her Sherpa, Ambassador to the U.S. Hector Timerman. The danger is that the President and Timerman, who is not deeply versed in economics, will take the G-20 Summit as an opportunity to

tout the Argentine model, lambaste the IMF, and focus on getting more condition-free funding, rather than supporting a constructive give and take while seeking their priorities. In this context, some investment by Washington in bringing Timerman and ultimately CFK along before the April Summit could bear good fruit. Similarly, encouraging Brazil to work with Argentina would also be a good way to encourage a more constructive Argentine approach in our view. End Summary.

13. (C) The Minister's discussion of the state of the economy and GoA concerns about the "Buy America" provisions in pending U.S. legislation, as well as the Ambassador's advocacy on behalf of U.S. companies and investors, are reported septel.

G-20 a priority for Argentina

14. (C) Minister Fernandez emphasized to the Ambassador the importance of the G-20 to the GoA. The Argentine leadership highly values it, he said, and added that it is good for the world to have a group that is broader than just the G-7. The Ambassador encouraged the GoA to take a serious approach, emphasizing Argentina's opportunity to play a key and constructive role in finding solutions to the current crisis.

Fernandez said that he and other GoA officials are extremely concerned about the fragile state of the world economy, and particularly the fallout in Brazil, Argentina's major trading partner. "We haven't seen the floor of the crisis," he worried, "and global uncertainty is high and worsening."

BUENOS AIR 00000134 002 OF 003

While arguing that Argentina is in better shape to weather the storm than during past international financial crises, Fernandez nevertheless said he sees the G-20 process as essential to mitigating the global and regional impact of the crisis.

15. (C) Fernandez said he sent his top subordinates -- Finance Secretary Hernan Lorenzino and Economic Programming Secretary Martin Abeles -- to the recent Deputies meeting, and commented that the GoA is also participating intensively in the working groups, particularly the two focused on IFI reforms. He noted that the Argentine Central Bank (BCRA) is leading the Argentine participation in the working groups on regulation and financial markets, which he termed "mostly developed country issues." Fernandez said he would lead the GoA delegation to the Finance Ministers meeting in March in London. (Local press reports state that President Kirchner will attend the April meeting.)

GoA Pushes IFI/MDB Reform, Denies Need for IMF Loans

16. (C) Fernandez reassured Ambassador that the GoA is promoting "reasonable, serious, and prudent" IFI reforms, but noted that these were crucial given the IFIs' collective "failure to predict the crisis" and subsequent "failure to respond (adequately) to it." While reserving his strongest criticism for the IMF, Fernandez commented that the World Bank moves too slowly to respond to crises. He argued that it needs to become more agile and rapid, and complained that there was not enough talk in the G-20 working group on World Bank and multilateral bank reform about supporting emerging market growth and increasing financial support to emerging economies. With regards to the IDB, Fernandez praised its efforts, but called for a capital increase. (The Ambassador noted that Argentina is currently the largest recipient of IDB funding, but Fernandez did not comment on the unspoken implication that the GoA would presumably be a main beneficiary of increased IDB lending.)

17. (C) Fernandez argued that IMF monitoring efforts had failed to predict the current crisis, and he panned the

Fund's efforts to assist countries in trouble. For example, he pointed out, the IMF provided financial support to Iceland, but only after its economy had imploded. While highlighting the need for "fortifying its financing mechanisms," Fernandez mostly underlined the need for greater emerging market participation (and "greater voice") in the governing of the IMF. He also accused the IMF of focusing monitoring efforts almost exclusively on developing countries, and noted that the current crisis highlighted the need for the IMF to improve its monitoring of developed economies. (Comment: GoA officials have voiced these same criticisms on numerous prior occasions; see Ref A.)

¶18. (C) Fernandez acknowledged local sensitivities related to the IMF (given the GoA's demonization of the IMF for its role in the 2001/2002 crisis). Therefore, he noted, the GoA is supporting IMF reform in order to help other emerging economies and, for its own part, has no intention or need to return to the IMF for financing. Nevertheless, press reports on the meeting speculated that the GoA expects to use the G-20 as a means to achieve IFI reforms that would allow it to access low-conditionality IMF credits, given that it is desperate for funds and has no access to either international or domestic financing.

¶19. (C) Responding to Fernandez's question on whether the U.S. will support broad reforms of the IFIs, EconOff noted USG support to date for increased emerging economy voting rights and "voice" in the IMF, as well as USG support to date for

BUENOS AIR 00000134 003 OF 003

IFI reform in the G-20 process. Fernandez acknowledged that the GoA had been one of the few IMF members to vote against the last IMF reform effort (in May 2008), which increased developing country representation and "voice" on the Executive Board, and even admitted that the GoA had cast its vote mainly because its voting share declined as a result of the reform. Nevertheless, he called the reform "marginal," and stated that current efforts need to go farther.

Coordination with Other LatAm G-20 Members

¶10. (C) In a separate meeting with the Ambassador on February 2 (reported septel), ex-Economy Minister Domingo Cavallo suggested that one way to moderate Argentina's approach to the G-20 and broader approach to economic policy would be to encourage greater coordination of positions among Mexico, Brazil, and Argentina. He said he had already recommended this to his Mexican and Brazilian colleagues in the G-30: ex-President of Mexico Ernesto Zedillo, current Mexican Central Bank President Guillermo Ortiz Martinez, and ex-President of Brazil's Central Bank, Armenio Fraga Neto. (The G-30, a private group focused on deepening understanding of international economic and financial issues, issued a report on January 15 on financial reform, which Cavallo said is aimed at influencing G-20 discussions.) Cavallo also urged the Ambassador to push for a USG initiative to promote such coordination among the three countries, particularly on G-20 positions. (Comment: Minister Fernandez did not offer hope that the GoA would pursue this option on its own, and stated that at this point the GoA is not in formal communication with either country on G-20 issues, although the G-20 comes up in Argentina's regular informal discussions with Brazil.)

Comment

¶11. (C) Cavallo's idea is a good one and worth pursuing. Brazil and Mexico could have a very positive effect on Argentina's position, which was not very constructive at the last G-20 Summit. Unfortunately, President CFK tends to launch into grand rhetoric about the Argentine model, the

failure of the IFIs, and the financing needs of emerging economies. Her Sherpa, Ambassador Timerman, often echoes these sentiments and has little grounding in economics. In addition to the positive influence that Brazil (especially) and Mexico could have on Argentine behavior, CFK is very anxious to get off to a good start with President Obama. We believe some time invested by senior officials with Timerman and a well-timed call or message from the President to CFK could have a big impact on Argentine performance at the G-20 (and elsewhere, such as in the Summit of the Americas). End Comment.

WAYNE